

ST. JOSEPH HOUSING COMMISSION
ST. JOSEPH, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name St. Joseph Housing Commission	County Berrien
Audit Date 3/31/05	Opinion Date 10/27/05	Date Accountant Report Submitted to State: 12/7/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGR).	✓		

Certified Public Accountant (Firm Name) Sallor, Khan & Co			
Street Address P.O. Box 16180	City St. Louis	State MO	ZIP 631105
Accountant Signature 		Date 12/7/05	

ST. JOSEPH HOUSING COMMISSION
St. Joseph, Michigan

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Sailor Khan & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. Joseph Housing Commission
St. Joseph, Michigan

We have audited the accompanying basic financial statements of the St. Joseph Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

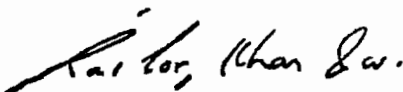
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the St. Joseph Housing Commission, Michigan, as of March 31, 2005, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2005, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to vii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co.
October 27, 2005

St. Joseph Housing Commission

Management's Discussion and Analysis (MD&A)

March 31, 2005

(Unaudited)

This section of the St. Joseph Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on March 31, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2005 were \$1,212,824. The net assets increased by \$130,265, an increase of 12% over the prior year.

Revenues and contributions for the Commission were \$648,905 for the year ended March 31, 2005. This was an increase of \$212,259 or 48.6% from the prior year.

Expenses for the Commission were \$520,757 for the year ended March 31, 2005. This was an increase of \$51,183 or 10.9% from the prior year.

HUD operating grants were \$103,795 for the year ended March 31, 2005. This was an increase of \$32,151 or 44.9% over the prior year. Capital contributions for the Commission were \$235,265 for the year ended March 31, 2005. This was an increase of \$173,421 or 280.4% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Management's Discussion and Analysis (MD&A) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2005 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$1,212,824 at the close of the year ended March 31, 2005, up from \$1,082,559 in March 31, 2004. The increase in net assets of \$130,265 was primarily due to the change in net assets for the year.

The unrestricted net assets were \$308,183 as of March 31, 2005. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF NET ASSETS
MARCH 31**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 349,297	\$ 334,051	\$ 15,246	4.6%
Capital assets	<u>904,641</u>	<u>798,471</u>	<u>106,170</u>	13.3%
Total Assets	<u>1,253,938</u>	<u>1,132,522</u>	<u>121,416</u>	10.7%
Current liabilities	<u>41,114</u>	<u>49,963</u>	<u>(8,849)</u>	-17.7%
Total Liabilities	<u>41,114</u>	<u>49,963</u>	<u>(8,849)</u>	-17.7%
Net Assets				
Invested in capital assets	904,641	798,471	106,170	13.3%
Unrestricted	<u>308,183</u>	<u>284,088</u>	<u>24,095</u>	8.5%
Total Net Assets	<u>1,212,824</u>	<u>1,082,559</u>	<u>130,265</u>	12.0%
Total Liabilities and Net Assets	\$ <u>1,253,938</u>	\$ <u>1,132,522</u>	\$ <u>121,416</u>	

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page, total revenues and contributions increased by \$212,259 due to increases in capital contributions of \$173,421, in HUD operating grants of \$32,151 and in other income of \$21,659 which was offset by a decrease in rental revenue of \$16,796. The decrease in rental revenue and increase in other income is due to an error in classification of now-dwelling revenues in FY 2004. The majority of Non-Dwelling Revenues is income derived from rental of roof property to cell phone companies.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
MARCH 31**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 273,789	\$ 290,585	(16,796)	-5.8%
HUD operating grants	103,795	71,644	32,151	44.9%
Interest income	4,650	2,826	1,824	64.5%
Capital Contributions	235,265	61,844	173,421	280.4%
Other income	31,406	9,747	21,659	222.2%
Total Revenues and Contributions	<u>648,905</u>	<u>436,646</u>	<u>212,259</u>	48.6%
Expenses				
Personal services	173,991	155,836	18,155	11.7%
Utilities	99,894	84,675	15,219	18.0%
Operations and maintenance	44,216	49,736	(5,520)	-11.1%
Non routine maintenance	124	806	(682)	-84.6%
Insurance	18,261	15,491	2,770	17.9%
Payment in lieu of taxes	19,371	20,591	(1,220)	-5.9%
Other supplies and expenses	35,708	26,193	9,515	36.3%
Depreciation	129,192	116,246	12,946	11.1%
Total Expenses	<u>520,757</u>	<u>469,574</u>	<u>51,183</u>	10.9%
Change in net assets	128,148	(32,928)	161,076	
Beginning net assets	1,082,559	1,115,487	(32,928)	
Prior period adjustments	<u>2,117</u>	<u>---</u>	<u>2,117</u>	
Beginning net assets, adjusted	<u>1,084,676</u>	<u>1,115,487</u>	<u>(30,811)</u>	
Ending net assets	\$ <u>1,212,824</u>	\$ <u>1,082,559</u>	\$ <u>130,265</u>	

Interest Income increased by 64.5% from FYE 2004 largely due to the placement of funds in a variety of investment accounts at Standard Federal Bank during FY 2005. The St. Joseph Housing Commission has a five-year CD at Chemical Bank Shoreline with an interest rate that increases a half of a percent yearly.

Capital Contributions increased by 280.4% from FY 2004. CFP funds from 2002 and 2003 were used completely in the same fiscal year (FYE 2005), along with portions of CFP 2003A and CFP 2004. The projects completed during this fiscal year using these funds were the installation of a new generator, cleaning entire building ductwork, repaving upper and lower parking lots, repaint and recarpet the common hallways, new slider door systems at front and rear parking lot entrances, new front awning and remodeling of the front entrance lobby, and purchase of a new laptop computer for the management office.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

The personal services expense increased by 11.1% or \$18,155. One full-time position was added in the management office to replace a part-time position. Also, the part-time maintenance position became a full-time position but this position remained unfilled for approximately a half of the fiscal year.

The overall utilities expense increased by 18% or \$15,219. The utilities expense is comprised of gas, water and electricity expenses. Gas and water utilities each increased by over 26% (\$13,995 for gas and \$1,635 for water); whereas, there was a decrease of 1.6% (\$411) in the electrical expense. The decrease in operations and maintenance of 11.1% (\$5,520) was primarily due to less maintenance material purchases in FY 2005. Insurance costs increased by \$2,770, thus increasing by 17.9%.

The other supplies and expenses line item is comprised of a combination of expenses in the Low-Rent Program and other operating-administrative expenses of the grant funds. The Low-Rent Program consists of the legal expenses, travel expenses, accounting fees, audit fees, other administrative and sundry expenses, telephone expenses, and recreational and publication expenses. Administrative expenses in the grant fund are comprised primarily of educational expenses and costs for office improvements.

The occupancy level for this project was 96%. The Public Housing units are located at Lake View Terrace Highrise, 601 Port Street, St. Joseph, MI 49085.

CAPITAL ASSETS

Capital Assets - The St. Joseph Housing Commission's investment in capital assets, as of March 31, 2005, amounts to \$904,641 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION MARCH 31

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>
Land	\$ 19,800	\$ 19,800	\$ ---
Building	1,576,172	1,576,172	---
Furniture, equipment and machinery- dwelling	36,365	----	36,365
Furniture, equipment and machinery- administration	70,508	78,994	(8,486)
Leasehold improvements	1,327,733	1,139,997	187,736
Construction in progress	8,600	10,877	(2,277)
	<u>3,039,178</u>	<u>2,825,840</u>	<u>213,338</u>
Accumulated depreciation	<u>2,134,537</u>	<u>2,027,369</u>	<u>107,168</u>
Total	<u>\$ 904,641</u>	<u>\$ 798,471</u>	<u>\$ 106,170</u>

The total increase in the Commission's capital assets for the current fiscal year was 13.3% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were \$235,362 for the year. The Commission has \$131,637 available in Capital Funds to draw down and spend in the future.

Management's Discussion and Analysis (MD&A) - Continued

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2006 Federal budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Nancy E. Walker, Executive Director, St. Joseph Housing Commission, 601 Port Street, Office, St. Joseph, MI 49085.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

STATEMENT OF NET ASSETS

March 31, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 209,146.34
Investments	120,010.45
Receivable - net of allowances:	
Accounts	1,396.75
Accrued interest	421.94
Prepaid expenses	<u>18,321.00</u>
Total Current Assets	<u>349,296.48</u>

Noncurrent Assets:

Capital assets:

Land, improvements, and construction in progress	28,400.00
Other capital assets, net of depreciation	<u>876,241.21</u>

Total capital assets- net 904,641.21

Total Noncurrent Assets 904,641.21

Total Assets \$ 1,253,937.69

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 19,543.17
Accrued compensated absences	7,256.09
Tenant security deposit liability	9,712.00
Deferred revenues	<u>4,602.00</u>

Total Current Liabilities 41,113.26

Total Liabilities 41,113.26

NET ASSETS

Invested in capital assets	904,641.21
Unrestricted	<u>308,183.22</u>

Total Net Assets 1,212,824.43

Total Liabilities and Net Assets \$ 1,253,937.69

See notes to financial statements

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended March 31, 2005

Operating Revenues:

Rental revenue	\$ 273,789.00
Operating subsidies- HUD grants	103,794.67
Other revenues	<u>31,406.34</u>
Total operating revenues	<u>408,990.01</u>

Operating Expenses:

Personal services	173,991.20
Utilities	99,894.28
Operations and maintenance	44,215.55
Non routine maintenance	124.00
Insurance	18,261.00
Payment in lieu of taxes	19,371.36
Other supplies and expenses	35,707.37
Depreciation	<u>129,191.82</u>
Total operating expenses	<u>520,756.58</u>

Operating income (loss) (111,766.57)

Non-operating revenues (expenses):

Interest and investment earnings	<u>4,649.90</u>
Net non-operating revenues (expenses)	<u>4,649.90</u>

Income (loss) before other revenues, expenses,
gains, losses and transfers (107,116.67)

Capital contributions 235,265.00

Change in net assets 128,148.33

Net assets at beginning of year 1,082,558.74

Prior period error corrections 2,117.36

Net assets adjusted at beginning of year 1,084,676.10

Net assets at end of year \$ 1,212,824.43

See notes to financial statements

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

STATEMENT OF CASH FLOWS

For Year Ended March 31, 2005

Cash flows from operating activities:

Cash received from tenants	\$ 274,897.00
Cash received from HUD grants- operating	103,794.67
Cash received from other operating activities	31,406.34
Cash payments for goods and services	(225,429.87)
Cash payments to employees-salaries	(115,445.99)
Cash payments to employees-compensated absences	(0.03)
Cash payments for employee benefit contributions	(57,088.09)
Cash payments for in lieu of property taxes	<u>(20,590.64)</u>

Net cash provided (used) by operating activities	<u>(8,456.61)</u>
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Cash flows from capital and related financing activities:

Capital contributions	234,748.25
Payments for capital assets	<u>(235,361.81)</u>

Net cash (used) for capital and related financing activities	<u>(613.56)</u>
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Cash flows from investing activities:

Proceeds from sale of (payments) for investments	(120,010.45)
Interest and dividends	4,227.96
Receipts (payments) from tenant security deposits	<u>834.00</u>

Net cash provided (used) from investing activities	<u>(114,948.49)</u>
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Net increase (decrease) in cash and cash equivalents	(124,018.66)
Cash and cash equivalents at beginning of year	<u>333,165.00</u>

Cash and cash equivalents at end of year	<u><u>\$ 209,146.34</u></u>
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See notes to financial statements

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended March 31, 2005

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Operating income (loss)	\$ (111,766.57)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	129,191.82
Changes in assets and liabilities:	
Receivables	6.00
Prepaid expenses	(18,321.00)
Accounts and other payables	(10,125.95)
Deferred revenues	1,102.00
Compensated absences	<u>1,457.09</u>
Net cash provided (used) by operating activities	<u>\$ (8,456.61)</u>

See notes to financial statements

St. Joseph, Michigan

March 31, 2005

The St. Joseph Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended March 31, 2005, the Housing Commission implemented the new financial reporting requirements of GASB Statement No 34. As a result, an entirely new financial presentation format has been implemented.

The Housing Commission's financial reporting entity comprises the following:

Primary Government:

Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40	years
Furniture, equipment and machinery - administration	5 - 10	years
Leasehold improvements	15	years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended March 31, 2005, the Commission complied, in all material respects, with these revenue restrictions.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at March 31, 2005. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ <u>216,491.81</u>	\$ <u>216,491.81</u>	\$ ----	\$ ----	\$ <u>208,896.34</u>
Total Deposits	\$ <u>216,491.81</u>	\$ <u>216,491.81</u>	\$ ----	\$ ----	\$ <u>208,896.34</u>

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3a. Cash and Investments (Continued)

Investments

The Commission's policies and applicable laws regarding investments are discussed in Notes 1d. and 2b. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2005. The categories of credit risk are defined as follows:

Category 1—Insured or registered with securities held by the Commission or its agent in the Commission's name

Category 2—Uninsured and unregistered with securities held by counterparty's trust department or agent in the Commission's name

Category 3—Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Commission's name

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificate of Deposit	\$ 120,010.45	\$ ----	\$ ----	\$ 120,010.45	\$ 120,010.45
	<u>\$ 120,010.45</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 120,010.45</u>	<u>\$ 120,010.45</u>

3b. Accounts Receivable

Receivables detail at March 31, 2005, is as follows:

Accounts receivable - HUD	\$ 1,396.75
	<u>\$ 1,396.75</u>

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3c. Capital Assets

Capital asset activity for the year ended March 31, 2005, was as follows:

	Balance April 1, 2004	Additions	(Retirements)	Balance March 31, 2005
Land	\$ 19,800.00	\$ ----	\$ ----	\$ 19,800.00
Building	1,576,172.36	----	----	1,576,172.36
Furniture, equipment and machinery- dwelling	----	36,461.81	(96.81)	36,365.00
Furniture, equipment and machinery- administration	78,994.00	----	(8,485.90)	70,508.10
Leasehold improvements	1,139,996.91	201,177.00	(13,441.20)	1,327,732.71
Construction in progress	10,877.00	(2,277.00)	----	8,600.00
	2,825,840.27	\$ <u>235,361.81</u>	\$ <u>(22,023.91)</u>	3,039,178.17
Accumulated depreciation	2,027,369.05	\$ <u>129,191.82</u>	\$ <u>(22,023.91)</u>	2,134,536.96
Total	\$ <u>798,471.22</u>			\$ <u>904,641.21</u>

3d. Accounts Payable

Payable detail at March 31, 2005, is as follows:

Vendors	\$ 171.81
Other government - PILOT	<u>19,371.36</u>
	\$ <u>19,543.17</u>

3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at March 31, 2005 is \$7,256.09.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3f. Interprogram Transactions and Balances

Operating Transfers

	Transfers in	Transfers out
Public and Indian Housing - Low Rent	\$ 2,181.00	\$ ----
Capital Fund Program	----	2,181.00
Total	\$ <u>2,181.00</u>	\$ <u>2,181.00</u>

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

Interprogram Receivable/Payable

Public and Indian Housing - Low Rent	\$ 1,396.75
Capital Fund Program	<u>(1,396.75)</u>
Total	\$ <u>----</u>

3g. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. PILOT liability - record reimbursement of FY 2004 PILOT	\$ <u>2,117.36</u>
Totals	\$ <u>2,117.36</u>

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Benefit Plan: The Commission has also provided a defined benefit plan. The defined benefit plan is available to all full-time employees not already participating in another plan. In a defined benefit plan, benefits to be provided at a future or after a certain period of time are specified. Benefits vest after 10 years of service.

The Defined Benefit Plan is administered by the City of St. Joseph. Employees contribute 4% of payroll. The plan is fully funded through the City of St. Joseph and no contributions were made by the public housing commission.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 4 - Other Notes (Continued)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Risk Retention Group
b. Injuries to employees (workers' compensation)	Purchased insurance handled through the City of St. Joseph; Claims are administered through the City of St. Joseph
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000.00 deductibles.
d. Health and life	Health and Life insurance is purchased through the City of St. Joseph, health insurance with Blue Cross Blue Shield of Michigan and Life insurance is provided by Jefferson Pilot Financial Insurance Company

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Commitments and Contingencies

Commitments—Construction

At March 31, 2005, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 502-03	\$ 21,810.00	\$ 15,281.00
CFP 501-04	126,737.00	1,628.75
	<u>\$ 148,547.00</u>	<u>\$ 16,909.75</u>

4d. Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

March 31, 2005

	Low Rent Program	Capital Fund Program	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 209,146.34	\$ ----	\$ 209,146.34
Investments	120,010.45	----	120,010.45
Receivable - net of allowances:			
Accounts	----	1,396.75	1,396.75
Accrued interest	421.94	----	421.94
Due from (to) interprogram	1,396.75	(1,396.75)	----
Prepaid expenses	18,321.00	----	18,321.00
Total Current Assets	349,296.48	----	349,296.48
Noncurrent Assets:			
Capital assets:			
Land, improvements, and construction in progress	19,800.00	8,600.00	28,400.00
Other capital assets, net of depreciation	646,474.50	229,766.71	876,241.21
Total capital assets- net	666,274.50	238,366.71	904,641.21
Total Noncurrent Assets	666,274.50	238,366.71	904,641.21
Total Assets	\$ 1,015,570.98	\$ 238,366.71	\$ 1,253,937.69
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 19,543.17	\$ ----	\$ 19,543.17
Accrued compensated absences	7,256.09	----	7,256.09
Tenant security deposit liability	9,712.00	----	9,712.00
Deferred revenues	4,602.00	----	4,602.00
Total Current Liabilities	41,113.26	----	41,113.26
Total Liabilities	41,113.26	----	41,113.26
NET ASSETS			
Invested in capital assets	666,274.50	238,366.71	904,641.21
Unrestricted	308,183.22	----	308,183.22
Total Net Assets	974,457.72	238,366.71	1,212,824.43
Total Liabilities and Net Assets	\$ 1,015,570.98	\$ 238,366.71	\$ 1,253,937.69

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM**

For Year Ended March 31, 2005

	Low Rent Program	Capital Fund Program	Totals
Operating Revenues:			
Rental revenue	\$ 273,789.00	\$ -----	\$ 273,789.00
Operating subsidies- HUD grants	92,111.00	11,683.67	103,794.67
Other revenues	31,406.34	-----	31,406.34
Total operating revenues	397,306.34	11,683.67	408,990.01
Operating Expenses:			
Personal services	173,991.20	-----	173,991.20
Utilities	99,894.28	-----	99,894.28
Operations and maintenance	44,215.55	-----	44,215.55
Non routine maintenance	124.00	-----	124.00
Insurance	18,261.00	-----	18,261.00
Payment in lieu of taxes	19,371.36	-----	19,371.36
Other supplies and expenses	26,204.70	9,502.67	35,707.37
Depreciation	120,579.58	8,612.24	129,191.82
Total operating expenses	502,641.67	18,114.91	520,756.58
Operating income (loss)	(105,335.33)	(6,431.24)	(111,766.57)
Non-operating revenues (expenses):			
Interest and investment earnings	4,649.90	-----	4,649.90
Net non-operating revenues (expenses)	4,649.90	-----	4,649.90
Income (loss) before other revenues, expenses, gains, losses and transfers	(100,685.43)	(6,431.24)	(107,116.67)
Capital contributions	-----	235,265.00	235,265.00
Operating transfers in (out)	2,181.00	(2,181.00)	-----
Change in net assets	(98,504.43)	226,652.76	128,148.33
Net assets at beginning of year	938,423.88	144,134.86	1,082,558.74
Prior period error corrections	2,117.36	-----	2,117.36
Net assets adjusted at beginning of year	940,541.24	144,134.86	1,084,676.10
Equity transfers	132,420.91	(132,420.91)	-----
Net assets at end of year	\$ 974,457.72	\$ 238,366.71	\$ 1,212,824.43

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended March 31, 2005

	Low Rent Program	Capital Fund Program	Totals
Cash flows from operating activities:			
Cash received from tenants	\$ 274,897.00	\$ -----	\$ 274,897.00
Cash received from HUD grants- operating	92,111.00	11,683.67	103,794.67
Cash received from other operating activities	31,406.34	-----	31,406.34
Cash payments for goods and services	(215,927.20)	(9,502.67)	(225,429.87)
Cash payments to employees-salaries	(115,445.99)	-----	(115,445.99)
Cash payments to employees-compensated absences	(0.03)	-----	(0.03)
Cash payments for employee benefit contributions	(57,088.09)	-----	(57,088.09)
Cash payments for in lieu of property taxes	(20,590.64)	-----	(20,590.64)
Net cash provided (used) by operating activities	(10,637.61)	2,181.00	(8,456.61)
Cash flows from noncapital financing activities:			
Operating transfers in (out)	2,181.00	(2,181.00)	-----
Net cash provided (used) from non capital financing activities	2,181.00	(2,181.00)	-----
Cash flows from capital and related financing activities:			
Capital contributions	-----	234,748.25	234,748.25
Receipts (payments) from interprograms	(516.75)	516.75	-----
Payments for capital assets	(96.81)	(235,265.00)	(235,361.81)
Net cash (used) for capital and related financing activities	(613.56)	-----	(613.56)
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	(120,010.45)	-----	(120,010.45)
Interest and dividends	4,227.96	-----	4,227.96
Receipts (payments) from tenant security deposits	834.00	-----	834.00
Net cash provided (used) from investing activities	(114,948.49)	-----	(114,948.49)
Net increase (decrease) in cash and cash equivalents	(124,018.66)	-----	(124,018.66)
Cash and cash equivalents at beginning of year	333,165.00	-----	333,165.00
Cash and cash equivalents at end of year	\$ 209,146.34	\$ -----	\$ 209,146.34

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2005

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (105,335.33)	\$ (6,431.24)	\$ (111,766.57)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	120,579.58	8,612.24	129,191.82
Changes in assets and liabilities:			
Receivables	6.00	----	6.00
Prepaid expenses	(18,321.00)	----	(18,321.00)
Accounts and other payables	(10,125.95)	----	(10,125.95)
Deferred revenues	1,102.00	----	1,102.00
Compensated absences	1,457.09	----	1,457.09
Net cash provided (used) by operating activities	<u>\$ (10,637.61)</u>	<u>\$ 2,181.00</u>	<u>\$ (8,456.61)</u>

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

March 31, 2005

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-02</u>
Funds approved	\$ 133,004.00
Funds expended	<u>133,004.00</u>
Excess of Funds Approved	\$ <u>-----</u>
 Funds advanced	 \$ 133,004.00
Funds expended	<u>133,004.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated December 2, 2004 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2005.
3. All costs have been paid and all related liabilities have been discharged through payments.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS

March 31, 2005

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-03</u>
Funds approved	\$ 109,434.00
Funds expended	<u>109,434.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 109,434.00
Funds expended	<u>109,434.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated March 21, 2005 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2005.
3. All costs have been paid and all related liabilities have been discharged through payments.

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2005

FDS Line Item No.	Low Rent Program 14.850a	Capital Fund Program 14.872	Total
Assets:			
Current Assets:			
Cash			
111 Cash-unrestricted	\$ 209,146.34	\$ -----	\$ 209,146.34
100 Total cash	<u>209,146.34</u>	<u>-----</u>	<u>209,146.34</u>
Accounts and notes receivable:			
122 Accounts receivable-HUD	-----	1,396.75	1,396.75
129 Accrued interest receivable	<u>421.94</u>	<u>-----</u>	<u>421.94</u>
120 Total receivables, net of allowance for doubtful accounts	<u>421.94</u>	<u>1,396.75</u>	<u>1,818.69</u>
Current investments:			
131 Investments-unrestricted	120,010.45	-----	120,010.45
142 Prepaid expenses and other assets	18,321.00	-----	18,321.00
144/ (347) Interprogram due from	<u>1,396.75</u>	<u>(1,396.75)</u>	<u>-----</u>
150 Total current assets	<u>349,296.48</u>	<u>-----</u>	<u>349,296.48</u>
Noncurrent Assets:			
Fixed assets:			
161 Land	19,800.00	-----	19,800.00
162 Buildings	1,576,172.36	-----	1,576,172.36
163 Furniture, equipment and machinery-dwellings	-----	36,365.00	36,365.00
164 Furniture, equipment and machinery-administration	69,627.10	881.00	70,508.10
165 Leasehold improvements	1,126,555.71	201,177.00	1,327,732.71
166 Accumulated depreciation	(2,125,880.67)	(8,656.29)	(2,134,536.96)
167 Construction in progress	<u>-----</u>	<u>8,600.00</u>	<u>8,600.00</u>
160 Total fixed assets, net of accumulated depreciation	<u>666,274.50</u>	<u>238,366.71</u>	<u>904,641.21</u>
180 Total noncurrent assets	<u>666,274.50</u>	<u>238,366.71</u>	<u>904,641.21</u>
190 Total Assets	<u>\$ 1,015,570.98</u>	<u>\$ 238,366.71</u>	<u>\$ 1,253,937.69</u>

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Total
	Liabilities and Equity:			
	Liabilities:			
	Current Liabilities:			
312	Accounts payable < 90 days	\$ (171.81)	\$ ----	\$ (171.81)
322	Accrued compensated absences- current portion	(7,256.09)	----	(7,256.09)
333	Accounts payable -other government	(19,371.36)	----	(19,371.36)
341	Tenant security deposits	(9,712.00)	----	(9,712.00)
342	Deferred revenues	(4,602.00)	----	(4,602.00)
310	Total current liabilities	(41,113.26)	----	(41,113.26)
300	Total liabilities	(41,113.26)	----	(41,113.26)
	Equity:			
508.1	Investment in capital assets , Net of Related Debt	(666,274.50)	(238,366.71)	(904,641.21)
512.1	Unrestricted Net Assets	(308,183.22)	----	(308,183.22)
600	Total Liabilities and Equity	\$ (1,015,570.98)	\$ (238,366.71)	\$ (1,253,937.69)
	Revenue:			
703	Net rental revenue	\$ (272,626.00)	\$ ----	\$ (272,626.00)
704	Tenant revenue-other	(1,163.00)	----	(1,163.00)
705	Total tenant revenue	(273,789.00)	----	(273,789.00)
706	HUD PHA operating grants	(92,111.00)	(11,683.67)	(103,794.67)
706.1	HUD PHA capital grants	----	(235,265.00)	(235,265.00)
711	Investment income-unrestricted	(4,649.90)	----	(4,649.90)
715	Other revenue	(31,406.34)	----	(31,406.34)
700	Total revenue	(401,956.24)	(246,948.67)	(648,904.91)

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Total
	Expenses:			
	Administrative			
911	Administrative salaries	76,017.37	----	76,017.37
912	Auditing fees	2,100.00	----	2,100.00
914	Compensated absences	1,457.12	----	1,457.12
915	Employee benefit contributions-administrative	34,338.96	----	34,338.96
916	Other operating-administrative	18,047.22	9,502.67	27,549.89
	Tenant services			
924	Tenant services-other	6,057.48	----	6,057.48
	Utilities			
931	Water	7,709.50	----	7,709.50
932	Electricity	25,734.45	----	25,734.45
933	Gas	66,450.33	----	66,450.33
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	39,428.62	----	39,428.62
942	Ordinary maintenance and operation-materials & other	8,433.55	----	8,433.55
943	Ordinary maintenance and operation-contract costs	35,782.00	----	35,782.00
945	Employee benefit contributions-ordinary maintenance	22,749.13	----	22,749.13
	General expenses			
961	Insurance premiums	18,261.00	----	18,261.00
963	Payments in lieu of taxes	19,371.36	----	19,371.36
969	Total operating expenses	381,938.09	9,502.67	391,440.76

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Total
970	Excess (deficit) operating revenue over operating expenses	<u>20,018.15</u>	<u>237,446.00</u>	<u>257,464.15</u>
971	Extraordinary maintenance	124.00	-----	124.00
974	Depreciation expense	<u>120,579.58</u>	<u>8,612.24</u>	<u>129,191.82</u>
	Total expenses other than total operating	<u>120,703.58</u>	<u>8,612.24</u>	<u>129,315.82</u>
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	(100,685.43)	228,833.76	128,148.33
1001	Operating transfers in	2,181.00	-----	2,181.00
1002	Operating transfers out	<u>-----</u>	<u>(2,181.00)</u>	<u>(2,181.00)</u>
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ <u>(98,504.43)</u>	\$ <u>226,652.76</u>	\$ <u>128,148.33</u>

**Report on Compliance and on Internal Control Over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Commissioners
St. Joseph Housing Commission
St. Joseph, Michigan

We have audited the financial statements of the St. Joseph Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2005, and have issued our report thereon dated October 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

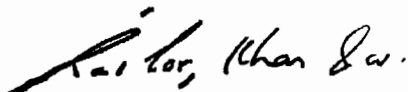
Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the St. Joseph Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.
October 27, 2005

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

STATUS OF PRIOR AUDIT FINDINGS

March 31, 2005

The prior audit report for the year ended March 31, 2004 contained a total of two audit findings:

Recommendation: The Commission should require all employees to complete a mileage reimbursement form each month. This form should require employees to detail the amount of business use of their personal vehicles and then be reimbursed on the actual use rather than a set amount each month. Employees should be reimbursed using the applicable IRS rate which is 40.5 cents per mile for 2005.

Status: Implemented

Recommendation: The Commission should consider adopting a policy which would preclude tenants from paying for their rent with cash. Most housing commissions have policies that require tenants to pay by check or money order. This would mitigate the fraud risks and exposure the housing would have in regards to accepting cash in the office. If the Commission does not accept a policy to preclude tenants from paying their rents in cash, then the policy of making change to tenants who pay their rent with checks in excess of their rent amount should be stopped. All tenants should be required to pay for their rent in exact amounts only.

Additionally, the deposit slips completed each month should be detailed out as to what checks are included in each deposit. Each check should be itemized on the deposit slip so as to allow ease of tracking of a particular tenant or check to a specific deposit slip.

Status: Implemented

ST. JOSEPH HOUSING COMMISSION

St. Joseph, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2005

FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended March 31, 2005 disclosed no Financial Statement audit findings.

QUESTIONED COSTS

None